

AUDITING PROCEDURES REPORT

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Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <i>County of Benzie, Michigan</i>	County <i>Benzie</i>
Audit Date <i>September 30, 2004</i>	Opinion Date <i>January 21, 2005</i>	Date Accountant Report Submitted to State: <i>March 30, 2005</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>		

Certified Public Accountant (Firm Name) <i>Anderson Tackman & Company PLLC CPA's</i>			
Street Address <i>16978 S. Riley Avenue</i>	City <i>Kincheloe</i>	State <i>MI</i>	ZIP <i>49788</i>
Accountant Signature <i>Anderson Tackman & Co PLLC</i>			

COUNTY OF BENZIE, MICHIGAN

BASIC FINANCIAL STATEMENTS

September 30, 2004

BENZIE COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

CHAIR PERSON	Don Howard
COMMISSIONER	Steve Haugen
COMMISSIONER	Michael Jones
COMMISSIONER	Tom Kelley
COMMISSIONER	Mary Pitcher
COMMISSIONER	Mark Roper
COMMISSIONER	Frank Walterhouse

APPOINTED/ELECTED OFFICIALS

COUNTY CONTROLLER	Charles Clarke
COUNTY TREASURER	Linda Wilson
COUNTY CLERK	Dawn Olney

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
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INDEPENDENT AUDITORS' REPORT

Honorable Chairman and Members
Of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 377
Beulah, Michigan 49617

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County of Benzie's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan as of the year ended September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2005, on our consideration of the County of Benzie's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparisons as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Benzie's, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and is not a required part of the basic financial statements of the County of Benzie. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Anderson, Tackman & Company, PLC
Certified Public Accountants

January 21, 2005

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

2004 became the County's first full year of operations after its change in fiscal years from one being consistent with a calendar year to one beginning on October 1st and ending on September 30th. Consequently this annual report is for a 12 month period and ended on September 30, 2004. This brought us back to the point of the stability of a full year with the normal cycle of events being reflective in financial terms in this annual report. It is again important to note that this change affected all the other County governmental entities as well. Comparisons of data with the previous year are again skewed and somewhat difficult to analyze and will be higher, in many cases, as 12 months are being compared to nine. Pertinent figures from the previous year would have to be prorated to adjust to 12 months for any kind of a consistent comparison. The County continued its program of taking a quarter of the growth in property taxes and shifting that into designated fund balances for fourth quarter calendar year operations for the ensuing year. This is the case for the funds that are provided revenue from property taxes. It is a deferral of sorts in that it makes the projected budget expenses from property taxes consistent with a calendar year and adds growth to the cash set aside to operate the first quarter of the next fiscal year or last quarter of the current calendar year.

A significant change in the concept of funding one of the County's services occurred when a millage was passed to support the Animal Control service. This went into effect January 1, 2004 and a separate fund was established to provide for its operation instead of it being funded by the General Fund.

In a condensed format, the table below shows the net assets of Benzie County.

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current Assets	\$ 3,238,297	\$ 3,339,181	\$ 6,398,178	\$ 6,743,969	\$ 9,636,475	\$ 10,083,150
Noncurrent Assets	<u>10,523,015</u>	<u>8,712,404</u>	<u>1,974,625</u>	<u>1,288,930</u>	<u>12,497,640</u>	<u>10,001,334</u>
Total Assets	<u>13,761,312</u>	<u>12,051,585</u>	<u>8,372,803</u>	<u>8,032,899</u>	<u>22,134,115</u>	<u>20,084,484</u>
Long-Term Debt Outstanding	2,442,230	2,714,579	1,000,000	1,150,000	3,442,230	3,864,579
Other Liabilities	<u>652,293</u>	<u>876,534</u>	<u>643,292</u>	<u>428,219</u>	<u>1,295,585</u>	<u>1,304,753</u>
Total Liabilities	<u>3,094,523</u>	<u>3,591,113</u>	<u>1,643,292</u>	<u>1,578,219</u>	<u>4,737,815</u>	<u>5,169,332</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	7,920,305	5,891,224	2,756,778	1,288,930	10,677,083	7,180,154
Unrestricted (Deficit)	<u>2,746,484</u>	<u>2,569,248</u>	<u>3,972,733</u>	<u>5,165,750</u>	<u>6,719,217</u>	<u>7,734,998</u>
Total Net Assets	<u>\$ 10,666,789</u>	<u>\$ 8,460,472</u>	<u>\$ 6,729,511</u>	<u>\$ 6,454,680</u>	<u>\$ 17,396,300</u>	<u>\$ 14,915,152</u>

The current level of unrestricted net assets for our governmental activities stands at \$2,746,484, or about 31% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 3%. Net Assets of the business-type activities increased approximately 4%.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Program Revenues						
Charges for Services	\$ 2,047,362	\$ 1,630,639	\$ 4,527,852	\$ 3,208,701	\$ 6,575,214	\$ 4,839,340
Operating Grants and Contributions	934,709	1,473,433	-	-	934,709	1,473,433
Capital Grants and Contributions	-	35,419	-	-	-	35,419
General Revenues						
Property Taxes	4,999,538	4,605,046	725,289	692,358	5,724,827	5,297,404
State-Shared Revenues	219,698	235,566	-	-	219,698	235,566
Federal, State, Local – General	885,694	-	-	-	885,694	-
Unrestricted Investment Earnings	89,803	73,657	37,636	43,311	127,439	116,968
Other Revenue	<u>150,000</u>	<u>780,716</u>	<u>293,498</u>	<u>369,198</u>	<u>443,498</u>	<u>1,149,914</u>
Total Revenues	<u>9,326,804</u>	<u>8,834,476</u>	<u>5,584,275</u>	<u>4,313,568</u>	<u>14,911,079</u>	<u>13,148,044</u>
Program Expenses						
Legislative	193,656	86,372	-	-	193,656	86,372
Judicial	605,459	578,372	-	-	605,459	578,836
General Government	1,437,600	817,526	-	-	1,437,600	817,526
Public Safety	3,485,016	2,226,716	-	-	3,485,016	2,226,716
Public Works	141,694	314,406	-	-	141,694	314,406
Health and Welfare	1,566,043	1,435,456	-	-	1,566,043	1,435,456
Recreation and Culture	249,833	776,832	-	-	249,833	776,832
Interest Expense – Unallocated	46,363	53,218	-	-	46,363	53,218
Other Expenses	1,147,353	1,095,389	-	-	1,147,353	1,095,389
Loss on Disposal of Fixed Assets	224,575	-	-	-	224,575	-
Depreciation – Unallocated	-	109,516	-	-	-	109,516
Tax Collection	-	-	56,147	35,574	56,147	35,574
Economic Development	-	-	70,860	11,341	70,860	11,341
Medical Care Facility	<u>-</u>	<u>-</u>	<u>5,205,038</u>	<u>3,695,640</u>	<u>5,205,038</u>	<u>3,695,640</u>
Total Expenses	<u>9,097,592</u>	<u>7,494,267</u>	<u>5,332,045</u>	<u>3,742,555</u>	<u>14,429,637</u>	<u>11,236,822</u>
Change in Net Assets	<u>\$ 229,212</u>	<u>\$ 1,340,209</u>	<u>\$ 252,230</u>	<u>\$ 571,013</u>	<u>\$ 481,442</u>	<u>\$ 1,911,222</u>

Governmental Activities

Revenue from property taxes increased 4.8% from the previous year, gaining \$ 130,544, which was \$30,958 lower than the previous year's gain. This, however, is still an improvement from the trend of the five prior years where the average gain was \$115,000. State Revenue Sharing increased over the previous nine month year by \$104,032 which was expected with the return to a 12 month year. The amount, however, was less than projected as the State decreased its actual distribution to Benzie County by \$18,417 or 6.4% from what it forecasted as the State dealt with its budgetary problems. The State, at the end of 2004, then revamped its Revenue Sharing program which became effective at the start of 2005.

Health and Liability insurance costs were the major significant expense increases over the previous year. Health Insurance cost rose approximately 24%. This was budgeted for and employee choices of plans, a change in the prescription drug carrier, and the paying off of a Blue Cross/Blue Shield balance resulted in the County actually over budgeted substantially for health insurance. The opening for the employees to make health insurance choices now comes right after the start of the fiscal year so true costs are not solidified until then but are consistent throughout the entire year. In the past, because of the calendar fiscal year, health insurance costs increased during the last three months of the year and those projected costs could only be estimated during the budget cycle. Liability insurance costs, on the other hand, tended to stabilize as their increase was only 7.6% which was about one-fifth of the previous adjustment. This was a \$13,809 raise in premiums. All of the major funds contribute towards liability costs with the General Fund absorbing more than half of it. An additional \$40,000 was paid toward the liability retention fund out of the General Fund surplus at the end of the year. This was an effort to address the shortfall in the retention fund remaining from old as well as current litigation.

The standard wage rate increase was generally three percent for all categories of employees. Some adjustments began in October 2003 with the remaining becoming effective on January 1, 2004.

Major steps were taken in technological improvements within County operations. Collectively, they were probably the most significant changes that occurred in at least fifteen years.

A high speed internet and email capability was installed that includes linkage between the Government Center, Jail, and Animal Control Office. This replaced dial-up services that were only available in a few offices and provided a thorough internal networking capability. This project was funded by a reduction in telephone operating costs and surplus General Fund money at the end of the year.

A new and upgraded system (both hardware and software) was installed in the Register of Deeds Office in order to provide modern service to its clients. Funds accumulated in the Register of Deeds Automation Fund and contributions from the General Fund from increased recording revenue to a level of \$123,660 paid for this system. Remaining costs of the project will occur in 2005. Similar upgrades occurred in the Treasurer and Controller's Offices. Software for seven accounting and tax programs and networking computer hardware was installed to improve capabilities and service in these offices. Operation of these new programs went into effect at the start of the 2005 fiscal year. Changes include restructuring fund and account numbers in order to be consistent with the State's Chart of Accounts and GASB-34. Funding was provided by the Treasurer's Admin and General Funds.

The initial stages of establishing a Geographical Mapping System (GIS) began during this period. Its implementation will be required for Phase II of Enhanced 9-1-1 Access which is required by June 30, 2005 in order to improve 9-1-1 location identification and retain wireless funding from the State. It will amount to about a \$100,000 project for just the mapping and is being funded from the General Fund's cash reserve.

The County also assumed ownership of the Point Betsie Light Station during this period. The lighthouse has its own fund established where capital improvements, funded through grants, and operations, funded through a partnering non-profit organization, will subsequently occur.

Business-Type Activities

The County business-type activities are multi-faceted. They range from tax collection, which, along with fees, significantly supports the General, Jail and Animal Control Funds. Property taxes, fees and insurance reimbursements support the Medical Care Facility. Loan repayments support the Economic Development Corporation. As with its other services, business-type activities are broad based and in many cases the predominant provider of that service for the citizen.

The County's Funds

Our analysis of the County's major funds begins on page 10 following the entity wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2004 include the General Fund, Jail Operations Fund, Jail Millage Fund, Medical Care Facility Fund, Economic Development Fund, and Delinquent Tax Fund. Funds supported by special millages consist of the Medical Care Facility, the Jail Fund, Commission on Aging Fund, and the Animal Control Fund.

The General Fund supports most of the County's governmental services. The costliest are the police, court, and law enforcement functions. The Jail Fund is supported by an Operational and Bond millage and is augmented with the renting of inmate space (beds) to other governmental entities. The Animal Control Fund is supported by its millage and license fees. The Economic Development Fund is supported by loan repayments. The Delinquent Tax fund is supported by interest and fees from the collection of taxes. The Medical Care Facility is largely supported by its millage, fees charged to clients, and related insurance reimbursements. Commission on Aging funds are provided to the Council on Aging in a contractual relationship.

General Fund Budgetary Highlights

Revenue in the Register of Deeds from Record Copying and Real Estate Transfer Tax increased about \$55,000 over annualized projections due to continued building growth and low interest rates. Conversely, revenue from fines and fees in the District Court fell for the second year in a row from anticipated amounts, this time about \$25,000. The year ended with a growth in the cash portion of fund balance of approximately \$100,000 though most of that was designated for GIS and other predetermined obligations. This again does not take into account the cash reserved for the fourth quarter. This can be attributed to revenue increases that were not projected such as \$11,000 more in collected property tax, \$18,000 more in interest income, and expenses that came well within the budget. For example, none of the projected \$20,000 transfer from the General Fund was not needed to be transferred to the 9-1-1 Fund as the latter fund was more self sustaining. Elected Officials and Department Heads, with limited exceptions, continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues that developed in the year. The major adjustments were in Revenue Sharing, Register of Deeds fees, and District Court costs as has previously been mentioned. Major changes in expenses included the reduction in the transfer to the 9-1-1 Fund, reduction in Child Care costs, health insurance, and increases in Friend of the Court, liability insurance (costs were less but contributions increased due to addressing the retention fund deficit) retirement, and social security costs.

Other Funds

The Building, Ambulance, and Recycling Funds all ended the year with a fund balance of ten percent or greater while the Animal Control fund was about the same as it established itself. The 9-1-1 Fund had about a \$75,000 reserve balance remaining but was awaiting the funding of Phase II equipment with some of these assets. All of this provides for stability, future flexibility, and a mechanism for setting aside funds for equipment replacement. The County did, as it had planned for, and transferred double digit amounts from the Ambulance and 9-1-1 Funds into equipment replacement accounts. We consider this a significant accomplishment.

Catastrophic information occurred when the County determined in June 2004 that it failed to roll back the Jail millage that began in 1989 in accordance with the Headlee Amendment. It is a debt and operations millage. This was discovered during a review of ballot language for a 2004 millage initiative. Though it did not affect the reported year, it has major consequences for future County operations.

Capital Asset and Debt Administration

During the 2004 period, the County invested or acquired \$2,369,082 in capital assets that meet the dollar threshold of the reporting requirement. These purchases included the transfer of ownership of the Point Betsie Lighthouse, normal equipment type acquisitions including seven police vehicles, two network computer servers, two network capable large volume copiers, in car camera systems, radio repeaters funded through Homeland Security Grants, a Jail video system, and other items.

The County reduced its bond debt load by \$1,830,000 in principal payments in 2004 ending with a debt balance of \$3,480,000. \$1,550,000 was for payments on delinquent taxes with the balance being put toward bonds for the Jail and Government Center buildings.

Economic Factors and Next Year's Budgets and Rates

This year produced a dichotomy of events. There was continued fund stabilization in all but the Jail Fund. There was investment in an equipment replacement fund in two of the smaller funds as was targeted. There were monumental technological improvements in several areas that affect County operations. This all reflected a continued and more distinct upward trend in the County's financial posture. This stability was sobered by the discovery of the failure to roll back the Jail Fund millage since its inception in 1989 and the ramifications that had on the public's perception of the County's financial status and the forward mobility of County finances. State Revenue Sharing further complicated future funding as the State's plan, where it provided provisions for funds that would be anticipated, left cash flow and potential public approval issues that will yet to be faced. We were pleased to end the current year with very healthy fund statuses in all but the Jail Fund and are still optimistic that the future will be proactive toward growth and progress.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Controller's Office at (231) 882-0035.

Basic Financial Statements

County of Benzie, Michigan

Statement of Net Assets September 30, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
ASSETS:				
Cash & Investments - Unrestricted	\$ 2,604,885	\$ 3,484,256	\$ 6,089,141	\$ 502,944
Cash & Investments - Restricted	-	971,680	971,680	-
Receivables:				
Accounts	88,843	329,228	418,071	607,660
Taxes	-	850,427	850,427	-
Interest	-	76,274	76,274	-
Notes	150,000	591,349	741,349	-
Internal Loans	-	30,000	30,000	-
Prepaid Expenses	123,524	55,335	178,859	38,919
Due from Governmental Units	271,045	8,353	279,398	242,922
Inventories	-	-	-	374,856
Other Assets	-	1,276	1,276	-
Capital Assets (Net of Accumulated Depreciation)	10,523,015	1,974,625	12,497,640	4,997,230
TOTAL ASSETS	\$ 13,761,312	\$ 8,372,803	\$ 22,134,115	\$ 6,764,531
LIABILITIES:				
Current Liabilities:				
Internal Loans	30,000	-	30,000	-
Accounts Payable	199,027	297,424	496,451	50,143
Accrued Liabilities	49,578	204,725	254,303	50,487
Accrued Interest Payable	9,705	-	9,705	-
Due to Governmental Units	-	41,249	41,249	242,620
Deferred Revenue	-	99,894	99,894	44,411
Capital Leases - Current	63,983	-	63,983	-
Installment Loans - Current	-	-	-	174,596
Bonds Payable - Current	300,000	-	300,000	-
Noncurrent Liabilities:				
Vested Employee Benefits	203,503	-	203,503	142,451
Capital Leases	58,727	-	58,727	-
Notes Payable	-	1,000,000	1,000,000	-
Bonds Payable	2,180,000	-	2,180,000	-
TOTAL LIABILITIES	3,094,523	1,643,292	4,737,815	704,708
NET ASSETS:				
Invested in Capital Assets (net of related debt)	7,920,305	2,756,778	10,677,083	4,822,634
Restricted for County Road	-	-	-	879,710
Unrestricted	2,746,484	3,972,733	6,719,217	357,479
TOTAL NET ASSETS	\$ 10,666,789	\$ 6,729,511	\$ 17,396,300	\$ 6,059,823

See accompanying notes to financial statements.

County of Benzie, Michigan

Statement of Activities Year Ended September 30, 2004

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
Functions/Programs	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	193,656	-	-	-	(193,656)	-	(193,656)	-
Judicial	605,459	259,094	124,638	-	(221,727)	-	(221,727)	-
General Government	1,437,600	488,800	257,859	-	(690,941)	-	(690,941)	-
Public Safety	3,485,016	984,759	190,695	-	(2,309,562)	-	(2,309,562)	-
Public Works	141,694	122,220	21,131	-	1,657	-	1,657	-
Health & Welfare	1,566,043	192,212	210,055	-	(1,163,776)	-	(1,163,776)	-
Recreation & Culture	249,833	277	130,331	-	(119,225)	-	(119,225)	-
Interest expense - Unallocated	46,363	-	-	-	(46,363)	-	(46,363)	-
Other Expenses	1,147,353	-	-	-	(1,147,353)	-	(1,147,353)	-
Loss on Disposal of Fixed Assets	224,575	-	-	-	(224,575)	-	(224,575)	-
Total Governmental Activities	9,097,592	2,047,362	934,709	-	(6,115,521)	-	(6,115,521)	-
Business-type activities:								
Tax Collection	56,147	259,471	-	-	-	203,324	203,324	-
Economic Development	70,860	42,870	-	-	-	(27,990)	(27,990)	-
Medical Care Facility	5,205,038	4,225,511	-	-	-	(979,527)	(979,527)	-
Total Business-type Activities	5,332,045	4,527,852	-	-	-	(804,193)	(804,193)	-
Total Primary Government	\$ 14,429,637	\$ 6,575,214	\$ 934,709	\$ -	(6,115,521)	(804,193)	(6,919,714)	-
Component Units:								
Road Commission	3,099,730	1,219,954	2,755,055	-				905,584
Benzie/Leelanau Health Dept.	2,025,925	758,988	871,187	-				(395,750)
Total Component Units	5,125,655	1,978,942	3,626,242	-				509,834
Total	\$ 19,555,292	\$ 8,554,156	\$ 4,560,951	\$ -				
General Revenues:								
Taxes					4,999,538	725,289	5,724,827	-
Payment from Benzie County					-	-	-	368,398
State Revenue Sharing					219,698	-	219,698	-
Federal, State, & Local - General					885,694	-	885,694	-
Investment Earnings (Loss)					89,803	37,636	127,439	13,634
Other					150,000	293,498	443,498	218,045
Total General Revenues and Transfers					6,344,733	1,056,423	7,401,156	231,679
Change in Net Assets					229,212	252,230	481,442	1,109,911
Prior Period Adjustment					2,000,000	-	2,000,000	(57,738)
Net Assets - Beginning					8,437,577	6,477,281	14,914,858	5,007,650
Net Assets - Ending					\$ 10,666,789	\$ 6,729,511	\$ 17,396,300	\$ 6,059,823

County of Benzie, Michigan

Balance Sheet Governmental Funds September 30, 2004

	General	Jail Operations	Jail Millage	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash & Investments - Unrestricted	\$ 1,150,385	\$ 277,364	\$ 65,395	\$ 1,111,741	\$ 2,604,885
Receivables:					
Accounts	-	-	-	88,843	88,843
Notes	150,000	-	-	-	150,000
Prepaid Expenses	99,445	13,500	-	10,579	123,524
Due from Governmental Units	126,737	5,745	5,597	132,966	271,045
TOTAL ASSETS	<u>\$ 1,526,567</u>	<u>\$ 296,609</u>	<u>\$ 70,992</u>	<u>\$ 1,344,129</u>	<u>\$ 3,238,297</u>
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Accounts Payable	77,861	9,900	-	49,053	136,814
Accrued Liabilities	27,973	10,266	-	11,339	49,578
TOTAL LIABILITIES	<u>105,834</u>	<u>20,166</u>	<u>-</u>	<u>90,392</u>	<u>216,392</u>
FUND BALANCES:					
Unreserved:					
Undesignated	874,346	-	-	-	874,346
Designated	546,387	276,443	70,992	1,253,737	2,147,559
TOTAL FUND BALANCES	<u>1,420,733</u>	<u>276,443</u>	<u>70,992</u>	<u>1,253,737</u>	<u>3,021,905</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,526,567</u>	<u>\$ 296,609</u>	<u>\$ 70,992</u>	<u>\$ 1,344,129</u>	
Reconciliation to amounts reported for governmental activities in the statement of net assets:					
Capital assets used by governmental activities					10,523,015
Long term notes & leases payable for governmental activities					(2,602,710)
Compensated absences liability					(203,503)
Accrued interest expense					(9,705)
Revenue sharing payable					(62,213)
Net assets of governmental activities					<u>\$ 10,666,789</u>

County of Benzie, Michigan

Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended September 30, 2004

	General	Jail Operations	Jail Millage	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 2,927,859	\$ -	\$ 1,488,337	\$ 583,342	\$ 4,999,538
Licenses & Permits	56,818	-	-	-	56,818
Federal Sources	69,358	-	-	268,190	337,548
State Sources	605,434	60	-	211,365	816,859
Local Sources	66	-	-	193,906	193,972
Contributions	-	-	-	24,017	24,017
Charges for Services	740,377	111,857	-	1,195,128	2,047,362
Refunds & Reimbursements	216,819	54,096	-	24,515	295,430
Interest & Rentals	70,418	-	1,276	18,109	89,803
Gain on Sale	150,000	-	-	-	150,000
Other Revenue	8,233	69,561	-	237,663	315,457
TOTAL REVENUES	4,845,382	235,574	1,489,613	2,756,235	9,326,804
EXPENDITURES:					
Legislative	193,656	-	-	-	193,656
Judicial	595,460	-	-	19,093	614,553
General Government	1,176,485	-	-	123,663	1,300,148
Public Safety	1,013,298	1,384,740	693	858,976	3,257,707
Public Works	-	-	-	151,869	151,869
Health & Welfare	354,339	-	-	1,177,449	1,531,788
Recreation & Cultural	-	-	-	249,833	249,833
Capital Outlay	-	-	-	184,135	184,135
Debt Service	-	-	-	409,575	409,575
Other Expenditures	1,120,291	-	-	61,229	1,181,520
TOTAL EXPENDITURES	4,453,529	1,384,740	693	3,235,822	9,074,784
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	391,853	(1,149,166)	1,488,920	(479,587)	252,020
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	48,250	1,107,774	-	601,775	1,757,799
Operating Transfers Out	(120,800)	-	(1,470,694)	(166,305)	(1,757,799)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	319,303	(41,392)	18,226	(44,117)	252,020
FUND BALANCES, OCTOBER 1	1,101,430	317,835	52,766	1,297,854	2,769,885
FUND BALANCES, SEPTEMBER 30	\$ 1,420,733	\$ 276,443	\$ 70,992	\$ 1,253,737	\$ 3,021,905

County of Benzie, Michigan

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2004

Net Changes in fund balances – total governmental funds	\$ 252,020
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The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$333,896) and loss on disposal of Assets (\$224,575) exceeded capital outlays \$369,082.	(189,389)
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Repayment of principal is an expenditure in the governmental fund but reduces the liability in the statement of net assets.

Principal repayments:	
Bond principal	280,000
Capital Lease	(61,530)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Revenue sharing payable	\$ (62,213)	
Compensated absences	9,233	
Accrued interest on bonds	<u>1,091</u>	
		<u>(51,889)</u>

Changes in net assets of governmental funds	<u>\$ 229,212</u>
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	Enterprise Funds					Totals
	Medical Care Facility	Economic Development	Prior Delinquent Tax	2003 Delinquent Tax	Other Funds	
ASSETS:						
Cash & Investments - Unrestricted	\$ 991,618	\$ 586,643	\$ 1,113,587	\$ 490,747	301,661	\$ 3,484,256
- Restricted	971,680	-	-	-	-	971,680
Receivables:						
Accounts	329,228	-	-	-	-	329,228
Taxes	-	-	20,115	620,206	210,106	850,427
Interest	-	-	-	44,254	32,020	76,274
Notes	-	591,349	-	-	-	591,349
Prepaid Expenses	55,335	-	-	-	-	55,335
Due From Other Funds	-	-	30,000	-	-	30,000
Due From Others	1,263	-	-	-	7,090	8,353
Other Assets	-	-	-	-	1,276	1,276
Land & Improvements	97,668	-	-	-	-	97,668
Buildings & Improvements	2,168,325	-	-	-	-	2,168,325
Machinery & Equipment	1,183,914	-	-	-	-	1,183,914
Construction in Progress	834,850	-	-	-	-	834,850
Accumulated Depreciation	(2,310,132)	-	-	-	-	(2,310,132)
TOTAL ASSETS	<u>\$ 4,323,749</u>	<u>\$ 1,177,992</u>	<u>\$ 1,163,702</u>	<u>\$ 1,155,207</u>	<u>\$ 552,153</u>	<u>\$ 8,372,803</u>
LIABILITIES:						
Accounts Payable	295,424	35	-	-	1,965	297,424
Due to Others	-	-	-	39,778	1,471	41,249
Accrued Liabilities	204,725	-	-	-	-	204,725
Deferred Revenue	-	-	-	-	99,894	99,894
Notes Payable	-	-	-	1,000,000	-	1,000,000
TOTAL LIABILITIES	<u>500,149</u>	<u>35</u>	<u>-</u>	<u>1,039,778</u>	<u>103,330</u>	<u>1,643,292</u>
NET ASSETS:						
Invested in Capital Assets (net of related debt)	1,974,625	782,153	-	-	-	2,756,778
Unrestricted	1,848,975	395,804	1,163,702	115,429	448,823	3,972,733
TOTAL NET ASSETS	<u>\$ 3,823,600</u>	<u>\$ 1,177,957</u>	<u>\$ 1,163,702</u>	<u>\$ 115,429</u>	<u>\$ 448,823</u>	<u>\$ 6,729,511</u>

County of Benzie, Michigan

Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds Year Ended September 30, 2004

	Enterprise Funds					Totals
	Medical Care Facility	Economic Development	Prior Delinquent Tax	2003 Delinquent Tax	Other Funds	
OPERATING REVENUES:						
Taxes & Penalties	\$ 725,289	\$ -	\$ -	\$ -	\$ -	\$ 725,289
Charges for Services	4,225,511	-	17,753	45,777	50,458	4,339,499
Interest & Rentals	-	42,870	319	85,925	59,111	188,225
Contributions	43,877	-	-	-	-	43,877
Other Revenue	249,621	-	-	128	-	249,749
Total Operating Revenues	5,244,298	42,870	18,072	131,830	109,569	5,546,639
OPERATING EXPENSES:						
General & Administrative	1,754,293	61,409	-	-	-	1,815,702
Contracted Services	3,450,745	-	-	-	-	3,450,745
Other Expenses	-	9,451	26,635	8,922	5,957	50,965
Total Operating Expenses	5,205,038	70,860	26,635	8,922	5,957	5,317,412
OPERATING INCOME (LOSS)	39,260	(27,990)	(8,563)	122,908	103,612	229,227
NON-OPERATING REVENUES (EXPENSES):						
Interest & Rentals	23,372	6,813	5,356	-	2,095	37,636
Interest & Fiscal Charges	-	-	-	(7,652)	(6,981)	(14,633)
Total Non-operating Expenses	23,372	6,813	5,356	(7,652)	(4,886)	23,003
CHANGE IN NET ASSETS	62,632	(21,177)	(3,207)	115,256	98,726	252,230
NET ASSETS, OCTOBER 1	3,760,968	1,199,134	1,166,909	173	350,097	6,477,281
NET ASSETS, SEPTEMBER 30	<u>\$ 3,823,600</u>	<u>\$ 1,177,957</u>	<u>\$ 1,163,702</u>	<u>\$ 115,429</u>	<u>\$ 448,823</u>	<u>\$ 6,729,511</u>

Statement of Cash Flows Proprietary Funds For the Year Ended September 30, 2004

	Enterprise Funds					
	Medical Care Facility	Economic Development	Prior Delinquent Tax	2003 Delinquent Tax	Other Funds	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from Customers	\$ 5,305,694	\$ 155,442	\$ 78,442	\$ 1,165,866	\$ 898,227	\$ 7,603,671
Payments to Suppliers	(2,157,484)	(71,063)	(30,750)	(1,680,081)	(99,968)	(4,039,346)
Payments to Employees	(2,705,202)	-	-	-	-	(2,705,202)
Net Cash Provided (Used) by Operating Activities	443,008	84,379	47,692	(514,215)	798,259	859,123
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition of Capital Assets	(847,851)	-	-	-	-	(847,851)
Notes Payable Proceeds	-	-	-	1,400,000	-	1,400,000
Principal Payments	-	-	-	(400,000)	(1,150,000)	(1,550,000)
Interest Payments	-	-	-	(7,652)	(6,981)	(14,633)
Net Cash Provided (Used) by Capital and Related Financing Activities	(847,851)	-	-	992,348	(1,156,981)	(1,012,484)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income	23,372	6,812	5,356	-	2,095	37,635
Net Cash Provided (Used in) Investing Activities	23,372	6,812	5,356	-	2,095	37,635
Net Increase (Decrease) in Cash and Cash Equivalents	(381,471)	91,191	53,048	478,133	(356,627)	(115,726)
Balances - Beginning of the Year	2,344,769	495,452	1,060,539	12,614	658,288	4,571,662
Balances - End of the Year	\$ 1,963,298	\$ 586,643	\$ 1,113,587	\$ 490,747	\$ 301,661	\$ 4,455,936
Interest Paid	\$ -	\$ -	\$ -	\$ 7,652	\$ 6,981	\$ 14,633
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Operating Income (Loss)	\$ 39,260	\$ (27,990)	\$ (8,563)	\$ 122,908	\$ 103,612	\$ 229,227
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:						
Depreciation	162,156	-	-	-	-	162,156
Change in Assets and Liabilities:						
Accounts Receivable	68,516	-	-	-	-	68,516
Taxes Receivable	-	-	(4,630)	(527,557)	555,611	23,424
Interest Receivable	-	-	-	(44,254)	43,908	(346)
Notes Receivable	-	112,572	-	-	-	112,572
Due from Other Funds	-	-	65,000	-	-	65,000
Due from Others	(1,263)	-	-	-	(7,090)	(8,353)
Prepaid Expenses	(5,857)	-	-	-	-	(5,857)
Other Assets	-	-	-	-	(95)	(95)
Increase (Decrease) in Liabilities:						
Due to Others	-	-	-	39,778	584	40,362
Accounts Payable	208,742	(203)	(1,210)	-	1,835	209,164
Accrued Liabilities	(28,546)	-	-	-	-	(28,546)
Other Liabilities	-	-	(712)	(105,090)	-	(105,802)
Deferred Revenue	-	-	(2,193)	-	99,894	97,701
Net Cash Provided by Operating Activities	\$ 443,008	\$ 84,379	\$ 47,692	\$ (514,215)	\$ 798,259	\$ 859,123

Statement of Fiduciary Net Assets Fiduciary Funds September 30, 2004

	<u>Agency Funds</u>
ASSETS:	
Cash & Cash Equivalents:	
Unrestricted	<u>\$ 1,621,147</u>
 TOTAL ASSETS	 <u><u>\$ 1,621,147</u></u>
 LIABILITIES:	
Due to Others	\$ 1,589,149
Accrued Liabilities	491
Other Liabilities	<u>31,507</u>
 TOTAL LIABILITIES	 <u><u>\$ 1,621,147</u></u>

Component Units

County of Benzie, Michigan

Statement of Net Assets Component Units September 30, 2004

	Road Commission	Benzie/ Leelanau District Health Dept.	Totals
ASSETS:			
Cash & Investments - Unrestricted	\$ 335,177	\$ 167,767	\$ 502,944
Accounts Receivable	593,826	13,834	607,660
Due from Governmental Units	-	242,922	242,922
Inventories	374,856	-	374,856
Prepaid Expenses	-	38,919	38,919
Other Assets	-	-	-
Capital Assets (net)	4,979,236	17,994	4,997,230
TOTAL ASSETS	\$ 6,283,095	\$ 481,436	\$ 6,764,531
LIABILITIES:			
Current Liabilities:			
Accounts Payable	21,619	28,524	50,143
Accrued Liabilities	16,777	33,710	50,487
Deferred Revenue	38,594	5,817	44,411
Advances from State	242,620	-	242,620
Installment Purchase Agreements Payable	174,596	-	174,596
Total Current Liabilities	494,206	68,051	562,257
Noncurrent Liabilities:			
Vested Employee Benefits	104,539	37,912	142,451
TOTAL LIABILITIES	598,745	105,963	704,708
NET ASSETS:			
Invested in Capital Assets, net of related debt	4,804,640	17,994	4,822,634
Restricted for County Road	879,710	-	879,710
Unrestricted	-	357,479	357,479
TOTAL NET ASSETS	\$ 5,684,350	\$ 375,473	\$ 6,059,823

County of Benzie, Michigan

Statement of Activities Component Units Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Grants	Capital Grants and Contributions	Road Commission	Benzie/ Leelanau District Health Dept.	Total
Road Commission:							
Public Works	\$ 3,099,730	\$ 1,219,954	\$ 2,755,055	\$ 30,305	\$ 905,584	\$ -	\$ 905,584
Benzie/Leelanau District Health Dept.							
Health & Welfare	2,025,925	758,988	871,187	-	-	(395,750)	(395,750)
Total Component Units	<u>\$ 5,125,655</u>	<u>\$ 1,978,942</u>	<u>\$ 3,626,242</u>	<u>\$ 30,305</u>	<u>905,584</u>	<u>(395,750)</u>	<u>509,834</u>
General Revenues:							
County Appropriations					-	368,398	368,398
Investment Earnings					11,246	2,388	13,634
Other					160,298	57,747	218,045
Total General Revenues and Transfers					<u>171,544</u>	<u>428,533</u>	<u>600,077</u>
Change in Net Assets					1,077,128	32,783	1,109,911
Net Assets - Beginning					4,607,222	400,428	5,007,650
Prior Period Adjustment					-	(57,738)	(57,738)
Net Assets - Ending					<u>\$ 5,684,350</u>	<u>\$ 375,473</u>	<u>\$ 6,059,823</u>

See accompanying notes to financial statements.

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Benzie, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:**Financial Reporting Entity**

The County of Benzie, Michigan was organized in 1869 and covers an area of approximately 316 square miles with the County Seat located in Beulah, Michigan. The County operates under an elected Board of Commissioners of seven (7) members and provides services, assistance and care to its resident. As required by U.S. generally accepted accounting principles, these basic financial statements present the County of Benzie (primary government) and its component units. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County of Benzie Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County’s operations because its primary purpose is the procurement and management of debt financing for the County.

County of Benzie Economic Development Corporation – The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in County of Benzie. The board of the Economic Development Corporation is appointed by the Board of Commissioners. The Corporation’s annual budget is subject to the approval of the Board of Commissioners and is financially accountable to the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County of Benzie Medical Care Facility – The Medical Care Facility is governed by a board appointed entirely by the County Board of Commissioners. The facility provides long-term care services primarily to the residents of County of Benzie.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

County of Benzie Road Commission – The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission. Complete financial statements of the individual component unit can be obtained from the following:

Benzie County Road Commission
11318 Main Street
Honor, Michigan 49640

Benzie – Leelanau Public Health Department – The members of the governing body of the Health Department are jointly appointed by the Benzie and Leelanau County Commissions. The Health Department's operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes fees for various services and other activities.

Complete financial statements of the individual component unit can be obtained from the following:

Benzie – Leelanau Health Department
6051 Frankfort Hwy, Suite 100
Benzonia, Michigan 49616

Jointly Governed Organization

City – County Airport – The City-County Airport Authority, an entity legally separate from the County, is governed by a five-member board. Two members are appointed from the County; two members are appointed from the City of Frankfort; and the fifth member is appointed by the four members of the County and City.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For financial reporting purposes, the Authority is reported as a separate unit because the Authority can legally issue debt (although it has a letter of understanding with the City of Frankfort that no debt will be issued); levy tax revenue if desired; and adopt and amend its own budget. In the event of the Authority being dissolved, it will be reverted to the City of Frankfort. The Authority operates on a June 30 year end.

Related Organization

Manistee – Benzie Mental Health – The Manistee – Benzie Mental Health is governed by a board whose voting majority is appointed by the Manistee County Board of Commissioners.

B – Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Benzie property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the County of Benzie as of the preceding December 31st.

The County of Benzie 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the County of Benzie's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the County of Benzie totaled \$743,112,961, on which ad valorem taxes levied consisted of 3.8473 mills for the County operating, 0.9787 mills for Medical Care Facility Operating, 0.6459 mills for Commission on Aging, 2.00 mills for Jail Debt and Operations, raising \$2,858,978 for operating, \$727,285 for Medical Care Facility Operating, \$479,977 for Commission on Aging, and \$1,486,226 for Jail Debt and Operations. These amounts are recognized in the respective General, Special Revenue and Debt Service Fund financial statements as tax revenue.

All other revenue items are considered to be available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports the following major governmental funds:

General Fund

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Jail Operation Fund

This fund accounts for the operation of the jail.

Jail Millage Fund

This fund accounts for the collection of the jail millage.

The County reports the following major proprietary funds:

Medical Care Facility

This fund accounts for the long-term care services provided to the residents of Benzie County.

Economic Development Fund

This fund accounts for activities that create and expand business within Benzie County.

2003 Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Prior Delinquent Tax Fund

This fund accounts for the collection of prior year delinquent taxes.

Additionally, the County reports the following fund types:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Expenditures for insurance and similar services are expensed when paid. A deposit of \$75,000 with the County’s risk management authority is recorded as a prepaid expense to reflect the amount available to pay for incidental claims under the County’s deductible amount.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The county’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation benefits within one year, except under special circumstances where, with the approval of the department head, some carry-over may be authorized.

The county's employment policies provide for sick leave benefits to be earned at the rate of 64 hours applied on January 1st. of each year. Payment for sick time upon separation of employment is disbursed according to the separate union contracts covering sheriff department employee's and the government center union employee's. The non union personnel are paid half of their accumulated sick time.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing October 1 and lapses on September 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 2,604,885	\$ 3,484,256	\$ 6,089,141	\$ 1,621,147	\$ 502,944
Cash and Cash Equivalents - Restricted	-	971,680	971,680	-	-
Total	<u>\$ 2,604,885</u>	<u>\$ 4,455,936</u>	<u>\$ 7,060,821</u>	<u>\$ 1,621,147</u>	<u>\$ 502,944</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 7,057,831	\$ 1,621,147	\$ 501,879
Petty Cash and Cash on Hand	2,990	-	1,065
Total	<u>\$ 7,060,821</u>	<u>\$ 1,621,147</u>	<u>\$ 502,944</u>

Cash has been restricted in the Benzie MCF for equipment replacement and building improvements.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- Repurchase agreements consisting of instruments listed in a.
- Banker's acceptance of United States banks.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

At year-end, the carrying amount of the County's primary and fiduciary deposits was \$8,678,978 and the bank balance was \$9,952,956. Of the bank balance, \$1,380,244, approximately 14%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

NOTE 4 - RECEIVABLES

Receivables as of year-end for the government's individual major and nonmajor funds, are as follows:

	General Fund	Jail Operations	Jail Millage	Medical Care Facility	Non-Major and Other Funds	Total
Receivables:						
Accounts	\$ -	\$ -	\$ -	\$ 329,228	\$ 88,843	\$ 418,071
Taxes	-	-	-	-	850,427	850,427
Interest	-	-	-	-	76,274	76,274
Notes	150,000	-	-	-	591,349	741,349
Due From Others	<u>126,737</u>	<u>5,745</u>	<u>5,597</u>	<u>1,263</u>	<u>140,056</u>	<u>279,398</u>
Net Receivables	<u>\$ 276,737</u>	<u>\$ 5,745</u>	<u>\$ 5,597</u>	<u>\$ 330,491</u>	<u>\$ 1,746,949</u>	<u>\$ 2,365,519</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 6,188,300	\$ -	\$ 250,000	\$ 5,938,300
Subtotal	<u>6,188,300</u>	<u>-</u>	<u>250,000</u>	<u>5,938,000</u>
Capital assets being depreciated:				
Buildings	5,657,956	-	25,000	5,632,956
Machinery and equipment	<u>1,372,497</u>	<u>369,082</u>	<u>80,346</u>	<u>1,661,233</u>
Subtotal	<u>7,030,453</u>	<u>369,082</u>	<u>105,346</u>	<u>7,294,189</u>
Governmental Activities:				
Less accumulated depreciation for:				
Buildings	1,549,582	140,824	51,492	1,638,914
Machinery and equipment	<u>956,767</u>	<u>193,072</u>	<u>79,279</u>	<u>1,070,560</u>
Subtotal	<u>2,506,349</u>	<u>333,896</u>	<u>130,771</u>	<u>2,709,474</u>
Net Capital Assets Being Depreciated	<u>4,524,104</u>	<u>35,186</u>	<u>(25,425)</u>	<u>4,584,715</u>
Governmental Activity Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 10,712,404</u>	<u>\$ 35,186</u>	<u>\$ 224,575</u>	<u>\$ 10,523,015</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 12,424	\$ -	\$ -	\$ 12,424
Subtotal	<u>12,424</u>	<u>-</u>	<u>-</u>	<u>12,424</u>
Capital assets being depreciated:				
Land and improvements	85,244	-	-	85,244
Buildings and improvements	2,155,244	13,081	-	2,168,325
Equipment	1,169,128	29,551	14,764	1,183,915
Committed building funds	<u>29,413</u>	<u>805,436</u>	<u>-</u>	<u>834,849</u>
Subtotal	<u>3,439,029</u>	<u>848,068</u>	<u>14,764</u>	<u>4,272,333</u>
Less accumulated depreciation for:				
Land and improvements	70,719	3,255	-	73,974
Buildings and improvements	1,227,065	89,457	-	1,316,522
Equipment	<u>864,739</u>	<u>69,445</u>	<u>14,548</u>	<u>919,636</u>
Subtotal	<u>2,162,523</u>	<u>162,157</u>	<u>14,548</u>	<u>2,310,132</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Net Capital Assets Being Depreciated	<u>1,276,506</u>	<u>685,911</u>	<u>216</u>	<u>1,962,201</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,288,930</u>	<u>\$ 685,911</u>	<u>\$ 216</u>	<u>\$ 1,974,625</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:

General Government	\$ 73,907
Public Safety	213,166
Health and Welfare	<u>46,823</u>

Total Governmental Activities \$ 333,896

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Prior Delinquent Tax	BVTMC	<u>\$ 30,000</u>
Total		<u>\$ 30,000</u>

Interfund Transfers

TRANSFERS (OUT)				
TRANSFERS IN	<u>General Fund</u>	<u>Jail Millage</u>	<u>All Others</u>	<u>Total</u>
	General Fund	\$ -	\$ -	\$ 48,250
	Jail Operations	-	1,107,774	-
	All Other	<u>120,800</u>	<u>362,920</u>	<u>118,055</u>
	Total	<u>\$ 120,800</u>	<u>\$ 1,470,694</u>	<u>\$ 166,305</u>
				<u>\$ 1,757,799</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - LEASES

Capital Leases – The County leases vehicles and telephone equipment under capital leases with yearly lease payments ranging from \$3,903 to \$31,597, including interest rates ranging from 4.55% to 16.72%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date. The future minimum lease obligations and the net present values are as follows:

2005	\$	70,480
2006		58,895
2007		<u>2,377</u>
Total minimum lease payments		131,752
Less amount representing interest		<u>(9,042)</u>
Present value of minimum lease payment	\$	<u><u>122,710</u></u>

NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities							
General Obligation Bonds							
1990 Building							
Authority Bonds	5.25%	2009	\$ 635,000	\$ -	-	\$ 635,000	\$ -
1997 Building							
Authority Bonds	4.375-4.40%*	2007	1,110,000	-	230,000	880,000	245,000
1998 Building							
Authority Bonds	3.60-4.95%	2018	<u>1,015,000</u>	<u>-</u>	<u>50,000</u>	<u>965,000</u>	<u>50,000</u>
Total Governmental Activities			<u>\$ 2,760,000</u>	<u>\$ -</u>	<u>\$ 280,000</u>	<u>\$ 2,480,000</u>	<u>\$ 295,000</u>

NOTE 8 - LONG-TERM DEBT (Continued)

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities							
General Obligation Bonds							
2003 Tax Notes Series	Variable**	2006	\$ 1,150,000	-	\$ 1,150,000	\$ -	\$ -
2004 Tax Notes Series	Variable**	2007	<u>-</u>	<u>1,400,000</u>	<u>400,000</u>	<u>1,000,000</u>	<u>-</u>
Total Business-Type Activities			<u>\$ 1,150,000</u>	<u>\$ 1,400,000</u>	<u>\$ 1,550,000</u>	<u>\$ 1,000,000</u>	<u>\$ -</u>

* 1997 Building Authority general obligation bonds represent a legal partial defeasance of the 1990 Building Authority general obligation bonds.

**Interest payments vary according to payment dates and interest rates. Because payment dates have not been prescheduled and interest is variable, outstanding interest is not determinable at this time.

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 300,000	\$ 116,463
2006	345,000	103,463
2007	385,000	88,433
2008	355,000	71,593
2009	405,000	53,430
2010-2014	375,000	130,125
2015-2019	<u>315,000</u>	<u>39,982</u>
Total	<u>\$ 2,480,000</u>	<u>\$ 603,489</u>

A summary of vested benefits payable at September 30, 2004 is as follows:

Vacation	\$ 119,651
Sick Leave	<u>83,852</u>
TOTALS	<u>\$ 203,503</u>

NOTE 9 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 10 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at September 30, 2004.

Cost Settlement – Medical care facility services rendered to various insurance program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a client classification system that is based on clinical, diagnostic, and other factors. Certain health services and defined capital costs are paid based on a cost reimbursement methodology. The facility reports such activity through the submission of its annual cost reports which are subject to audit by the fiscal intermediary. The facility's classification of clients under the program and the appropriateness of their admission are subject to an independent review by a peer review organization.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMSDescription of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2003.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2003 is as follows:

Courthouse Employees	5.89%
Sheriff Department	9.21%
Elected Officials	22.32%
Commissioner	17.31%
Non-Union/Non-Elected	11.25%

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

Annual Pension Cost

During the year ended September 30, 2004, the County's contributions totaling \$273,258 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 4,548,689	\$ 4,815,948	5,128,385
Actuarial Accrued Liability	5,702,976	6,064,300	6,211,553
Unfunded AAL	1,154,287	1,248,352	1,083,168
Funded Ratio	80%	79%	83%
Covered Payroll	2,692,176	2,664,385	2,527,455
UAAL as a Percentage of Covered Payroll	43%	47%	43%

ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission has an agent, single-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which require employees to contribute based on gross wages by County Road Commission only.

Annual Pension Cost

For year ended September 30, 2004, the Benzie County Road Commission's pension cost of \$133,921 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2001, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8 % investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial Value of Assets	\$ 2,253,259	\$ 2,310,321	2,505,519
Actuarial Accrued Liability	3,769,833	4,093,879	4,830,963
Unfunded AAL	1,516,574	1,783,558	2,325,444
Funded Ratio	60%	56%	52%
Covered Payroll	1,023,739	1,146,459	1,179,287
UAAL as a Percentage of Covered Payroll	148%	156%	197%

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**BENZIE MCF (MAPLES)**Pension Plan

The Benzie County Medical Care Facility contributes to the Michigan Municipal Employees Retirement System, an agent multiple employer public employee retirement system that acts as a common investment and administrative agent for units of local government in Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. All full-time employees become a member of the System on the first day of employment, and are completely vested after 10 years of service. Service retirement allowances are based upon 1.5 percent of the member's 5-year final average compensation. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by policy, which requires employees to contribute to the plan. The Medical Care Facility is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the year ended September 30, 2004, the Medical Care Facility contributions totaling \$160,414 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level of percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level of percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	2001	2002	2003
Actuarial Value of Assets	\$ 3,029,814	\$ 3,250,719	3,664,439
Actuarial Accrued Liability	3,214,559	3,539,240	3,917,916
Unfunded AAL	184,745	288,521	253,477
Funded Ratio	94%	92%	94%
Covered Payroll	2,267,939	2,478,528	2,566,800
UAAL as a Percentage of Covered Payroll	8%	12%	10%

BENZIE/LEELANAU DISTRICT HEALTH DEPARTMENT

Plan Description - Benzie/Leelanau District Health Department of Benzie/Leelanau Counties, Michigan participates in an agent multiple-employer public employee pension plan which covers four employees. Employees are covered under a B-3, F-55 plan. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 447 North Canal Street, Lansing, Michigan.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by the personnel policy, currently no employee contribution is required.

Annual Pension Costs – For year ended 2004, the Health Department's annual pension cost of \$29,438 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Additional projected salary increases of up to 2.5% per year annually after retirement for persons under certain benefit packages. The actuarial value of assets determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, 2003 is as follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 124,330	\$ 165,565	216,002
Actuarial Accrued Liability	170,661	210,537	267,400
Unfunded AAL	46,331	44,972	51,398
Funded Ratio	73%	78%	81%
Covered Payroll	191,929	212,522	169,068
UAAL as a Percentage of Covered Payroll	24%	21%	30%

NOTE 12 - DEFINED CONTRIBUTION (MONEY PURCHASE) PENSION PLAN

The Benzie/Leelanau District Health Department contributes to a defined contribution retirement plan administered by the Board of Health with the International City Management Association Retirement Corporation (ICMA), acting as an investment fiduciary.

The Department contributed \$68,804 to the plan during the year ended September 30, 2004 equal to 10% of covered payroll.

NOTE 13 - PROPORTIONATE SHARE REIMBURSEMENT REVENUE

The Michigan Family Independence Agency, in order to provide continuing access to long-term care services for Medicaid recipients, modified its reimbursement system to participate in a "proportionate share" pool to qualified long-term care providers.

Under such a plan the system maximizes the federal Medicaid matching revenues through the intergovernmental transfer program. The Benzie County Medical Care Facility participates in this program to the extent of its share of Medicaid utilization in relation to the total for Class III facilities that are governmentally owned.

NOTE 14 - PRIOR PERIOD ADJUSTMENTS

Beginning net assets were stated to account for land not previously included in net assets.

Net assets as of September 30, 2003	\$ 8,437,577
Prior period adjustment inclusion of land	<u>2,000,000</u>
Net assets restated	<u>\$ 10,437,577</u>

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,893,857	\$ 2,916,387	\$ 2,927,859	\$ 11,472
Licenses & Permits	39,594	51,824	56,818	4,994
Federal Sources	44,183	69,561	69,358	(203)
State Sources	644,164	649,241	605,434	(43,807)
Local Sources	600	600	66	(534)
Charges for Services	676,501	728,555	740,377	11,822
Refunds & Reimbursements	163,339	192,026	216,819	24,793
Interest & Rentals	52,600	52,900	70,418	17,518
Gain on Sale	-	-	150,000	150,000
Other Revenue	13,975	14,716	8,233	(6,483)
TOTAL REVENUES	4,528,813	4,675,810	4,845,382	169,572
EXPENDITURES:				
Legislative:				
Board of Commissioners	151,693	200,181	193,656	6,525
Judicial:				
Circuit Court	196,129	202,129	192,737	9,392
District Court	161,937	168,813	167,759	1,054
Friend of the Court	35,987	62,897	61,938	959
Juvenile Division	88,948	86,678	77,230	9,448
Law Library	1,500	1,500	1,500	-
Probate Court	85,386	94,294	94,296	(2)
Total Judicial	569,887	616,311	595,460	20,851
General Government:				
County Administrator	76,076	94,554	93,813	741
Elections	36,500	29,500	28,621	879
County Clerk	127,135	129,919	128,753	1,166
Equalization	111,797	128,781	128,407	374
Prosecuting Attorney	143,675	150,395	150,354	41
Register of Deeds	112,416	124,333	123,062	1,271
Treasurer	139,968	154,807	146,934	7,873
Cooperative Extension	45,020	51,815	50,280	1,535
Copy Machine	15,500	19,500	16,055	3,445
Postage	34,000	34,000	31,178	2,822
Buildings & Grounds	258,464	271,602	267,239	4,363
Drain Commission	9,050	9,225	8,989	236
Soil Erosion	1,500	1,500	1,500	-
Surveyor	650	1,300	1,300	-
Total General Government	1,111,751	1,201,231	1,176,485	24,746

Required Supplemental Information
Budgetary Comparison Schedule
General Fund
Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	734,329	770,099	754,076	16,023
Marine	26,292	27,592	25,948	1,644
Snowmobile	29,685	16,285	15,789	496
Sheriff Secondary Road Patrol	51,422	66,076	64,645	1,431
Zero Tolerance	32,552	33,625	33,601	24
Seasonal Road Patrol	8,000	9,400	9,347	53
Planning Department	97,341	99,276	95,982	3,294
Civil Preparedness	16,125	16,125	13,910	2,215
Total Public Safety	995,746	1,038,478	1,013,298	25,180
Health & Welfare:				
Contagious Diseases	4,100	3,100	2,125	975
Health Department	164,550	165,895	165,894	1
Medical Examiner	16,200	19,100	15,658	3,442
Mental Health Board	114,273	114,274	114,273	1
County EDC	48,215	46,639	46,389	250
Family Independence Agency	10,000	10,000	10,000	-
Total Health & Welfare	357,338	359,008	354,339	4,669
Other Expenditures:				
Insurance & Bonds	737,219	757,479	717,976	39,503
Social Security	136,423	146,958	145,137	1,821
Retirement Benefits	194,937	201,259	198,867	2,392
Other Miscellaneous	162,341	110,355	58,311	52,044
Total Other Expenditures	1,230,920	1,216,051	1,120,291	95,760
TOTAL EXPENDITURES	4,417,335	4,631,260	4,453,529	177,731
EXCESS OF REVENUES OVER EXPENDITURES	111,478	44,550	391,853	347,303
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	48,250	48,250	-
Operating Transfers Out	(101,380)	(120,800)	(120,800)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 10,098	\$ (28,000)	319,303	\$ 347,303
FUND BALANCE, OCTOBER 1			1,101,430	
FUND BALANCE, SEPTEMBER 30			\$ 1,420,733	

Required Supplemental Information
Budgetary Comparison Schedule
Jail Operations
Year Ended September 30, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
State Sources	\$ -	\$ -	\$ 60	\$ 60
Charges for Services	149,000	149,000	111,857	(37,143)
Refunds & Reimbursements	77,100	77,300	54,096	(23,204)
Other Revenue	48,800	48,800	69,561	20,761
TOTAL REVENUES	274,900	275,100	235,574	(39,526)
EXPENDITURES:				
Public Safety	1,379,674	1,394,376	1,384,740	9,636
TOTAL EXPENDITURES	1,379,674	1,394,376	1,384,740	9,636
EXCESS OF REVENUES (EXPENDITURES)	(1,104,774)	(1,119,276)	(1,149,166)	(29,890)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	1,107,774	1,107,774	1,107,774	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 3,000	\$ (11,502)	(41,392)	\$ (29,890)
FUND BALANCE, OCTOBER 1			317,835	
FUND BALANCE, SEPTEMBER 30			\$ 276,443	

**Required Supplemental Information
Budgetary Comparison Schedule
Jail Millage
Year Ended September 30, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,472,044	\$ 1,472,044	\$ 1,488,337	\$ 16,293
Interest & Rentals	1,500	1,500	1,276	(224)
TOTAL REVENUES	1,473,544	1,473,544	1,489,613	16,069
EXPENDITURES:				
Public Safety	-	-	693	(693)
TOTAL EXPENDITURES	-	-	693	(693)
EXCESS OF REVENUES OVER EXPENDITURES	1,473,544	1,473,544	1,488,920	15,376
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(1,470,694)	(1,470,694)	(1,470,694)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 2,850	\$ 2,850	18,226	\$ 15,376
FUND BALANCE, OCTOBER 1			52,766	
FUND BALANCE, SEPTEMBER 30			\$ 70,992	

Other Supplemental Information

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2004

Special Revenue Funds

	Benzie Co. Building Authority	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	School Resource Officer	Benzie Co. Kids	Benzie Co. DARE	Friend of the Court	FOC Access/Visitation Grant	Solid Waste/Recycling
ASSETS:										
Cash & Investments - Unrestricted	\$ 367	\$ 81	\$ 7,986	\$ 941	\$ 62,502	\$ 22,377	\$ 2,054	\$ 30,303	\$ -	\$ 54,952
Receivables:										
Accounts	-	-	-	-	-	-	-	-	-	11,086
Prepaid Expenses	-	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 367</u>	<u>\$ 81</u>	<u>\$ 7,986</u>	<u>\$ 941</u>	<u>\$ 62,502</u>	<u>\$ 22,377</u>	<u>\$ 2,054</u>	<u>\$ 30,303</u>	<u>\$ -</u>	<u>\$ 66,038</u>
LIABILITIES:										
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	54	-	10	-	-	-	-	3,526
Accrued Liabilities	-	-	-	-	571	-	-	-	-	192
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>54</u>	<u>-</u>	<u>581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,718</u>
FUND BALANCES:										
Unreserved	<u>367</u>	<u>81</u>	<u>7,932</u>	<u>941</u>	<u>61,921</u>	<u>22,377</u>	<u>2,054</u>	<u>30,303</u>	<u>-</u>	<u>62,320</u>
TOTAL FUND BALANCES	<u>367</u>	<u>81</u>	<u>7,932</u>	<u>941</u>	<u>61,921</u>	<u>22,377</u>	<u>2,054</u>	<u>30,303</u>	<u>-</u>	<u>62,320</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 367</u>	<u>\$ 81</u>	<u>\$ 7,986</u>	<u>\$ 941</u>	<u>\$ 62,502</u>	<u>\$ 22,377</u>	<u>\$ 2,054</u>	<u>\$ 30,303</u>	<u>\$ -</u>	<u>\$ 66,038</u>

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2004

	Special Revenue Funds									
	BVTMC	BVT Audubon	Coastal Management	Crystal Lake Rec Management	CDBG/ Crystal Mountain	Remonument. Survey Grant	Animal Control	Building Department	Ambulance	Register of Deeds Automation
ASSETS:										
Cash & Investments - Unrestricted	\$ 3,189	\$ -	\$ 7,140	\$ 685	\$ -	\$ 25,018	\$ 7,728	\$ 52,193	\$ 26,100	\$ 9,225
Receivables:										
Accounts	19,945	-	-	-	-	-	279	-	55,475	-
Prepaid Expenses	-	-	-	-	-	-	225	1,350	1,125	-
Due from Governmental Units	43,201	-	-	-	-	1	-	-	-	-
TOTAL ASSETS	\$ 66,335	\$ -	\$ 7,140	\$ 685	\$ -	\$ 25,019	\$ 8,232	\$ 53,543	\$ 82,700	\$ 9,225
LIABILITIES:										
Due to Other Funds	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-	398	290	227	-
Accrued Liabilities	-	-	-	-	-	-	1,076	2,855	2,152	-
TOTAL LIABILITIES	30,000	-	-	-	-	-	1,474	3,145	2,379	-
FUND BALANCES:										
Unreserved	36,335	-	7,140	685	-	25,019	6,758	50,398	80,321	9,225
TOTAL FUND BALANCES	36,335	-	7,140	685	-	25,019	6,758	50,398	80,321	9,225
TOTAL LIABILITIES AND FUND BALANCES	\$ 66,335	\$ -	\$ 7,140	\$ 685	\$ -	\$ 25,019	\$ 8,232	\$ 53,543	\$ 82,700	\$ 9,225

County of Benzie, Michigan

Combining Balance Sheet Nonmajor Governmental Funds September 30, 2004

	Special Revenue Funds									
	911 Emergency Service	Dispatcher Training Grant	Sheriff Forfeiture	Benzie Crimianl Justice Training	Law Library	Housing Grant	Commission on Aging	Lighthouse	Child Care	Soldiers Relief
ASSETS:										
Cash & Investments - Unrestricted	\$ 40,830	\$ 5,796	\$ 422	\$ 1,577	\$ 8,213	\$ 53,629	\$ 3,104	\$ 4,268	\$ 258	\$ 90,592
Receivables:										
Accounts	-	-	-	1,989	-	-	-	-	-	69
Prepaid Expenses	7,879	-	-	-	-	-	-	-	-	-
Due from Governmental Units	44,314	-	-	-	-	4,810	1,807	32,075	6,758	-
TOTAL ASSETS	<u>\$ 93,023</u>	<u>\$ 5,796</u>	<u>\$ 422</u>	<u>\$ 3,566</u>	<u>\$ 8,213</u>	<u>\$ 58,439</u>	<u>\$ 4,911</u>	<u>\$ 36,343</u>	<u>\$ 7,016</u>	<u>\$ 90,661</u>
LIABILITIES:										
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	3,027	-	-	241	860	27,095	-	-	561	12,574
Accrued Liabilities	4,283	-	-	-	-	-	-	-	-	210
TOTAL LIABILITIES	<u>7,310</u>	<u>-</u>	<u>-</u>	<u>241</u>	<u>860</u>	<u>27,095</u>	<u>-</u>	<u>-</u>	<u>561</u>	<u>12,784</u>
FUND BALANCES:										
Unreserved	85,713	5,796	422	3,325	7,353	31,344	4,911	36,343	6,455	77,877
TOTAL FUND BALANCES	<u>85,713</u>	<u>5,796</u>	<u>422</u>	<u>3,325</u>	<u>7,353</u>	<u>31,344</u>	<u>4,911</u>	<u>36,343</u>	<u>6,455</u>	<u>77,877</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 93,023</u>	<u>\$ 5,796</u>	<u>\$ 422</u>	<u>\$ 3,566</u>	<u>\$ 8,213</u>	<u>\$ 58,439</u>	<u>\$ 4,911</u>	<u>\$ 36,343</u>	<u>\$ 7,016</u>	<u>\$ 90,661</u>

		Debt Service Funds		Capital Project Funds			
	Veterans Trust	Government Center Addition	Jail Bond Payments	Railroad Point	Equipment Replacement	COA Bldg- Honor	Totals
ASSETS:							
Cash & Investments - Unrestricted	\$ 962	\$ 21,175	\$ 445,561	\$ 1,223	\$ 121,290	\$ -	\$ 1,111,741
Receivables:							
Accounts	-	-	-	-	-	-	88,843
Prepaid Expenses	-	-	-	-	-	-	10,579
Due from Governmental Units	-	-	-	-	-	-	132,966
TOTAL ASSETS	<u>\$ 962</u>	<u>\$ 21,175</u>	<u>\$ 445,561</u>	<u>\$ 1,223</u>	<u>\$ 121,290</u>	<u>\$ -</u>	<u>\$ 1,344,129</u>
LIABILITIES:							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000
Accounts Payable	-	-	-	-	190	-	49,053
Accrued Liabilities	-	-	-	-	-	-	11,339
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>190</u>	<u>-</u>	<u>90,392</u>
FUND BALANCES:							
Unreserved	962	21,175	445,561	1,223	121,100	-	1,253,737
TOTAL FUND BALANCES	<u>962</u>	<u>21,175</u>	<u>445,561</u>	<u>1,223</u>	<u>121,100</u>	<u>-</u>	<u>1,253,737</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 962</u>	<u>\$ 21,175</u>	<u>\$ 445,561</u>	<u>\$ 1,223</u>	<u>\$ 121,290</u>	<u>\$ -</u>	<u>\$ 1,344,129</u>

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2004

	Special Revenue Funds									
	Benzie Co. Building Authority	Sheriff's K-9	Benzie Co. Sheriff Reserve's	Benzie Co. Dive Team	School Resource Officer	Benzie Co. Kids	Benzie Co. DARE	Friend of the Court	FOC Access/ Visitation Grant	Solid Waste/Recycling
REVENUES:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Sources	-	-	-	-	40,102	-	-	-	-	-
State Sources	-	-	-	-	-	-	-	-	-	-
Local Sources	-	-	-	-	14,500	-	1,100	-	-	-
Charges for Services	-	-	-	-	-	-	-	2,598	-	122,220
Refunds & Reimbursements	-	-	-	-	360	-	-	-	-	-
Interest & Rentals	-	-	-	-	-	-	-	404	-	-
Contributions	-	-	-	4,428	-	16,556	-	-	-	-
Other Revenue	-	800	-	-	-	-	-	-	-	7,701
TOTAL REVENUES	-	800	-	4,428	54,962	16,556	1,100	3,002	-	129,921
EXPENDITURES:										
Judicial	-	-	-	-	-	-	-	8,800	19	-
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	-	758	1,551	3,487	49,365	-	2,471	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	123,630
Health & Welfare	-	-	-	-	-	13,249	-	-	-	-
Recreation & Cultural	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	758	1,551	3,487	49,365	13,249	2,471	8,800	19	123,630
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	42	(1,551)	941	5,597	3,307	(1,371)	(5,798)	(19)	6,291
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	-	-	-	-	11,000	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	(10,000)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	42	(1,551)	941	16,597	3,307	(1,371)	(15,798)	(19)	6,291
FUND BALANCES, OCTOBER 1	367	39	9,483	-	45,324	19,070	3,425	46,101	19	56,029
FUND BALANCES, SEPTEMBER 30	\$ 367	\$ 81	\$ 7,932	\$ 941	\$ 61,921	\$ 22,377	\$ 2,054	\$ 30,303	\$ -	\$ 62,320

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2004

	Special Revenue Funds								
	BVTMC	BVT Audubon	Coastal Management	Crystal Lake Rec Management	CDBG/ Crystal Mountain	Remonument. Survey Grant	Animal Control	Building Department	Register of Deeds Automation
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80	\$ -	\$ -
Federal Sources	-	-	-	-	24,090	-	-	-	-
State Sources	62,611	-	-	-	-	21,131	-	-	-
Local Sources	2,652	-	-	-	-	-	-	-	-
Charges for Services	277	-	-	-	-	-	79,613	358,648	46,500
Refunds & Reimbursements	-	-	-	-	-	-	-	-	-
Interest & Rentals	-	16,725	-	-	-	-	-	-	295
Contributions	-	-	-	-	-	-	-	-	3,033
Other Revenue	4,712	-	-	-	-	-	6,856	-	10,557
TOTAL REVENUES	70,252	16,725	-	-	24,090	21,131	86,549	358,648	46,795
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	123,663
Public Safety	-	-	-	-	-	-	87,091	331,169	-
Public Works	-	-	-	-	-	28,239	-	-	-
Health & Welfare	-	-	-	-	-	-	-	-	249,356
Recreation & Cultural	73,493	16,725	4,823	1,000	62,272	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	73,493	16,725	4,823	1,000	62,272	28,239	87,091	331,169	123,663
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,241)	-	(4,823)	(1,000)	(38,182)	(7,108)	(542)	27,479	(76,868)
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	-	-	-	-	7,500	7,300	-	55,735
Operating Transfers Out	-	-	-	-	-	-	-	(23,250)	(37,320)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(3,241)	-	(4,823)	(1,000)	(38,182)	392	6,758	4,229	(21,133)
FUND BALANCES, OCTOBER 1	39,576	-	11,963	1,685	38,182	24,627	-	46,169	30,358
FUND BALANCES, SEPTEMBER 30	\$ 36,335	\$ -	\$ 7,140	\$ 685	\$ -	\$ 25,019	\$ 6,758	\$ 50,398	\$ 9,225

County of Benzie, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2004

	Special Revenue Funds									
	911 Emergency Service	Dispatcher Training Grant	Sheriff Forfeiture	Benzie Criminal Justice Training	Law Library	Housing Grant	Commission on Aging	Lighthouse	Child Care	Soldiers Relief
REVENUES:										
Taxes	\$ -	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ 479,277	\$ -	\$ -	\$ 18,539
Federal Sources	-	-	-	-	-	139,144	-	-	-	-
State Sources	-	4,197	-	5,636	-	-	-	43,630	70,911	-
Local Sources	-	-	-	-	5,000	-	-	80,000	-	-
Charges for Services	393,060	-	-	-	-	-	-	-	-	-
Refunds & Reimbursements	2,337	-	-	-	-	-	-	-	1,658	-
Interest & Rentals	-	-	-	-	-	271	111	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	-	-	73,129	1,387	-	6,062	-
TOTAL REVENUES	395,397	4,197	80	5,636	5,000	212,544	480,775	123,630	78,631	18,539
EXPENDITURES:										
Judicial	-	-	-	-	10,274	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-	-
Public Safety	376,020	2,777	240	4,047	-	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-	-
Health & Welfare	-	-	-	-	-	193,648	481,389	-	160,062	79,745
Recreation & Cultural	-	-	-	-	-	-	-	91,016	-	-
Capital Outlay	6,200	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	382,220	2,777	240	4,047	10,274	193,648	481,389	91,016	160,062	79,745
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,177	1,420	(160)	1,589	(5,274)	18,896	(614)	32,614	(81,431)	(61,206)
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	-	-	-	-	10,000	-	-	-	85,000	-
Operating Transfers Out	(25,000)	-	-	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(11,823)	1,420	(160)	1,589	4,726	18,896	(614)	32,614	3,569	(61,206)
FUND BALANCES, OCTOBER 1	97,536	4,376	582	1,736	2,627	12,448	5,525	3,729	2,886	139,083
FUND BALANCES, SEPTEMBER 30	\$ 85,713	\$ 5,796	\$ 422	\$ 3,325	\$ 7,353	\$ 31,344	\$ 4,911	\$ 36,343	\$ 6,455	\$ 77,877

Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended September 30, 2004

		Debt Service Funds		Capital Project Funds			
	Veterans Trust	Government Center Addition	Jail Bond Payments	Railroad Point	Equipment Replacement	COA - Bldg Honor	Totals
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 583,342
Federal Sources	-	-	-	-	64,854	-	268,190
State Sources	-	-	-	-	3,249	-	211,365
Local Sources	-	-	-	-	90,654	-	193,906
Charges for Services	-	-	-	-	-	-	1,195,128
Refunds & Reimbursements	-	-	-	-	20,160	-	24,515
Interest & Rentals	-	303	-	-	-	-	18,109
Contributions	-	-	-	-	-	-	24,017
Other Revenue	-	124,566	-	-	1,893	-	237,663
TOTAL REVENUES	-	124,869	-	-	180,810	-	2,756,235
EXPENDITURES:							
Judicial	-	-	-	-	-	-	19,093
General Government	-	-	-	-	-	-	123,663
Public Safety	-	-	-	-	-	-	858,976
Public Works	-	-	-	-	-	-	151,869
Health & Welfare	-	-	-	-	-	-	1,177,449
Recreation & Cultural	-	-	-	504	-	-	249,833
Capital Outlay	-	-	-	-	177,935	-	184,135
Debt Service	-	96,655	312,920	-	-	-	409,575
Other	-	-	-	-	19,022	42,207	61,229
TOTAL EXPENDITURES	-	96,655	312,920	504	196,957	42,207	3,235,822
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	28,214	(312,920)	(504)	(16,147)	(42,207)	(479,587)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	362,920	-	62,320	-	601,775
Operating Transfers Out	-	(15,000)	-	-	(55,735)	-	(166,305)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	13,214	50,000	(504)	(9,562)	(42,207)	(44,117)
FUND BALANCES, OCTOBER 1	962	7,961	395,561	1,727	130,662	42,207	1,297,854
FUND BALANCES, SEPTEMBER 30	\$ 962	\$ 21,175	\$ 445,561	\$ 1,223	\$ 121,100	\$ -	\$ 1,253,737

County of Benzie, Michigan

Combining Statement of Net Assets Nonmajor Enterprise Funds September 30, 2004

	Tax Admin.	2001 Delinquent Tax	2002 Delinquent Tax	2004 Delinquent Tax	Totals
ASSETS:					
Cash & Investments -Unrestricted	\$ 22,160	\$ 202,283	\$ 72,053	\$ 5,165	\$ 301,661
Receivables:					
Taxes	-	1,361	113,775	94,970	210,106
Interest	-	-	32,020	-	32,020
Due From Other Funds	-	-	-	-	-
Due From Others		7,090			7,090
Other Assets	-	1,276	-	-	1,276
TOTAL ASSETS	<u>\$ 22,160</u>	<u>\$ 212,010</u>	<u>\$ 217,848</u>	<u>\$ 100,135</u>	<u>\$ 552,153</u>
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$ -	\$ -	\$ 1,965	\$ -	\$ 1,965
Due to Others	-	1,471	-	-	1,471
Deferred Revenue	-	-	-	99,894	99,894
TOTAL LIABILITIES	<u>-</u>	<u>1,471</u>	<u>1,965</u>	<u>99,894</u>	<u>103,330</u>
NET ASSETS:					
Unrestricted	<u>22,160</u>	<u>210,539</u>	<u>215,883</u>	<u>241</u>	<u>448,823</u>
TOTAL NET ASSETS	<u>22,160</u>	<u>210,539</u>	<u>215,883</u>	<u>241</u>	<u>448,823</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 22,160</u>	<u>\$ 212,010</u>	<u>\$ 217,848</u>	<u>\$ 100,135</u>	<u>\$ 552,153</u>

County of Benzie, Michigan

Combining Statement of Revenues, Expenses and Changes in Net Assets - Nonmajor Enterprise Funds Year Ended September 30, 2004

	Tax Admin.	2001 Delinquent Tax	2002 Delinquent Tax	2004 Delinquent Tax	Totals
OPERATING REVENUES:					
Charges for Services	\$ -	\$ 14,259	\$ 36,003	\$ 196	\$ 50,458
Interest & Rentals	151	5,091	53,815	54	59,111
TOTAL OPERATING REVENUES	151	19,350	89,818	250	109,569
OPERATING EXPENSES:					
Other Expenses	5,248	-	700	9	5,957
Total Operating Expenses	5,248	-	700	9	5,957
OPERATING INCOME (LOSS)	(5,097)	19,350	89,118	241	103,612
NON-OPERATING REVENUES (EXPENSES):					
Interest & Rentals	-	1,136	959	-	2,095
Interest & Fiscal Charges	-	-	(6,981)	-	(6,981)
Total Non-operating Expenses	-	1,136	(6,022)	-	(4,886)
CHANGE IN NET ASSETS	(5,097)	20,486	83,096	241	98,726
NET ASSETS, OCTOBER 1	27,257	190,053	132,787	-	350,097
NET ASSETS, SEPTEMBER 30	<u>\$ 22,160</u>	<u>\$ 210,539</u>	<u>\$ 215,883</u>	<u>\$ 241</u>	<u>\$ 448,823</u>

County of Benzie, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended September 30, 2004

	Tax Admin	2001 Delinquent Tax	2002 Delinquent Tax	2004 Delinquent Tax	Totals
Cash Flows From Operating Activities:					
Cash Received From Customers or Users	\$ 151	\$ 150,219	\$ 647,972	\$ 99,885	\$ 898,227
Cash Payments to Suppliers	(5,248)	-	-	(94,720)	(99,968)
Net Cash Provided (Used) by Operating Activities	(5,097)	150,219	647,972	5,165	798,259
Cash Flows from Capital and Related Financing Activities:					
Principal Payments	-	-	(1,150,000)	-	(1,150,000)
Interest Payments	-	-	(6,981)	-	(6,981)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(1,156,981)	-	(1,156,981)
Cash Flows from Investing Activities:					
Interest Income	-	1,136	959	-	2,095
Net Cash Provided (Used) by Investing Activities	-	1,136	959	-	2,095
Net Increase (Decrease) in Cash	(5,097)	151,355	(508,050)	5,165	(356,627)
Cash and Cash Equivalents at Beginning of Year	27,257	50,928	580,103	-	658,288
Cash and Cash Equivalents at End of Year	\$ 22,160	\$ 202,283	\$ 72,053	\$ 5,165	\$ 301,661
Interest Paid	-	-	(6,981)	-	(6,981)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating Income (Loss)	(5,097)	19,350	89,118	241	103,612
Changes in Assets and Liabilities:					
Decrease (Increase) in Assets:					
Taxes Receivable	-	107,670	542,911	(94,970)	555,611
Interest Receivable	-	29,930	13,978	-	43,908
Due from Others	-	(7,090)	-	-	(7,090)
Other Assets	-	(95)	-	-	(95)
Increase (Decrease) in Liabilities:					
Accounts Payable	-	(130)	1,965	-	1,835
Due to Others	-	584	-	-	584
Deferred Revenue	-	-	-	99,894	99,894
Net Cash Provided (Used) by Operating Activities	\$ (5,097)	\$ 150,219	\$ 647,972	\$ 5,165	\$ 798,259

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

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SUE A. BOWLBY, CPA, PRINCIPAL
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DEANNA J. MAYER, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of
The Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, Michigan 49617

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Benzie, Michigan, as of and for the year ended September 30, 2004, which collectively comprise the County of Benzie Michigan's basic financial statements and have issued our report thereon, dated January 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the County of Benzie, Michigan in a separate letter dated January 21, 2005.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 21, 2005



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

Compliance

We have audited the compliance of the County of Benzie, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County of Benzie, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan

Internal Control Over Compliance

The management of the County of Benzie, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants

January 21, 2005

County of Benzie, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Pass-Through Programs From:			
Michigan Family Independence Agency			
Title IV-D Cooperative Reimbursement-Prosecutor	93.563	CS/PA-03-10002	39,903
10/01/03 to 9/30/04			
Friend of the Court-Incentive	93.560	-	25,378
Subtotal MIFIA			65,281
Pass-Through Programs From:			
Michigan Department of Community Health			
Family Planning Services	93.217	05H000173	22,791
Childhood Immunizations	93.268	CCH522556	5,364
Childhood Immunizations	93.268	H23	6,828
Immunization (Prescriptions)	93.268	-	75,965
Bioterrorism Focus A	93.283	CCU517018	20,000
Bioterrorism Focus A	93.283	CCU517018	40,499
Bioterrorism Focus A	93.283	CCU517018	8,333
Bioterrorism Focus B	93.283	CCU517018	43,812
Bioterrorism Focus E	93.283	CCU517018	31,503
Bioterrorism Focus F	93.283	CCU517018	41,083
Bioterrorism Focus G	93.283	CCU517018	40,476
Case Management Services	93.778	5XX05MI504	1,006
Case Management Services	93.778	5XX05MI504	3,450
Pregnancy Prevention	93.994	B1MIMCHS	13,758
Local MCH	93.994	B1MIMCHS	16,044
Family Planning Services	93.994	B1MIMCHS	2,724
Family Planning Services	93.994	B1MIMCHS	4,967
Case Management Services	93.994	B1MIMCHS	2,849
Subtotal MDCH			381,452
Total U.S. Department of Health and Human Services			446,733

County of Benzie, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-Through Programs From:			
Michigan State Housing Development Authority			
Michigan Community Development Block Grant	14.228	MSC-2001-0771-HO	94,736
Michigan Community Development Block Grant	14.228	MSC-2003-0771-HOA	44,408
			<u>139,144</u>
Pass Through Programs From:			
Michigan Jobs Commission			
Crystal Center Road Expansion	14.228	MSC 201005-EDIG	24,090
			<u>24,090</u>
Total U.S. Department of Housing and Urban Development			<u>163,234</u>
U.S. Department of Justice			
Direct Awards:			
School Resource Officer Grant	16.710	2001 SHWX0450	40,102
			<u>40,102</u>
U.S. Department of Agriculture			
Pass-Through Programs From:			
Michigan Department of Community Health			
WIC Supplemental Food	10.557	XX4W1006	96,647
			<u>96,647</u>
U.S. Department of Homeland Security			
Pass-Through Programs From:			
Michigan Department of State Police			
State Homeland Security Grant Program - 2003	97.004	-	37,568
2003 Solution Area Planner	97.004	-	6,550
2003 SHSGP Exercise Grant	97.004	-	4,890
Emergency Management Performance Grant	97.042	-	4,077
FEMA 2002 Supplement	97.051	-	15,846
			<u>15,846</u>
Total U.S. Department of Homeland Security			<u>68,931</u>
U.S. Department of Transportation			
Pass-Through Programs From:			
Michigan Department of Transportation			
Betsie Valley Trailway (Note D)	20.205	STP 0310(001)	30,305
			<u>30,305</u>
Total Expenditures of Federal Awards			<u>\$ 845,952</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Benzie, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Justice which provided the greatest amount of direct federal funding to the County during 2004.

NOTE C - NORTHWEST MICHIGAN HUMAN SERVICES AGENCY ADMINISTRATION

The Michigan Community Development Block Grant CFDA #14.228 is administered by the Northwest Michigan Human Services Agency.

NOTE D - MDOT ADMINISTRATION

The Street, Bridge and other Infrastructure Grants include various projects. Accordingly, the federal expenditures recognized on each project do not necessarily relate to the County's actual costs for that project. Contracted projects are administered by MDOT who monitors the applicable compliance requirements of those projects. The following were MDOT administered projects in the County of Benzie:

<u>Title</u>	<u>Amount</u>	<u>Project Number</u>
Betsie Valley Trailway	\$ 30,305	STP 0310(001)

NOTE E - FEDERAL REVENUES

Total Federal Expenditures	\$ 845,952
Federal Expenditures of District Health Department	(478,099)
Federal Expenditures of Road Commission	<u>(30,305)</u>
Federal Revenues per Financial Statement	<u>\$ 337,548</u>

Section A - Summary of Auditors' Results**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs**CFDA NUMBERS****Name of Federal Program or Cluster**

14.228 CDBG	Crystal Mountain Expansion CDBG/Housing
16.710	School Resource Officer Grant
93.283	Bioterrorism
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE.

C. FINDINGS - FEDERAL AWARDS AND QUESTIONED COSTS

NONE.

NONE.

Additional Information

COUNTY OF BENZIE, MICHIGAN

ADDITIONAL INFORMATION

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

Honorable Chairman & Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

Our report on our audit of the basic financial statements of the County of Benzie, Michigan, as of and for the year ended September 30, 2004, appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

January 21, 2005

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of September 30, 2004, the County has the following debt issues which apply to SEC Rule 15c2-12:

1. \$2,085,000 1997 Building Authority Refunding Bonds.
2. \$1,265,000 1998 Building Authority Bonds, Series 1998.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

A. State Equalized Valuation:

	<u>50% of True Value</u>
2004 -	\$ 1,301,441,654
2003 -	1,204,165,487
2002 -	1,113,871,689
2001 -	898,302,049
2000 -	808,095,828
1999 -	732,475,429
1998 -	659,406,807
1997 -	587,772,167
1996 -	530,052,367
1995 -	453,063,660

Source: Benzie County

B. Taxable Valuation:

2004 -	\$ 805,938,284
2003 -	743,112,961
2002 -	691,905,133
2001 -	639,478,120
2000 -	591,213,030
1999 -	553,785,297

NOTE 2 - TABLES: (Continued)

<u>2004 Breakdown by Use</u>	
Residential	88.16%
Commercial	6.21%
Industrial	.71%
Personal Property	3.01%
Agricultural	1.88%
Timber-Cutover	<u>.03%</u>
TOTAL	100.00%
<u>2004 Breakdown by Class</u>	
Real	96.99%
Personal	<u>3.01%</u>
TOTAL	100.00%

Source: Benzie County

C. County Tax Rates & Levies:

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
County Operating	3.7565	3.8473	3.9311	3.9975	4.0535
County Operating*	2.3588	1.7496	1.7100	1.6239	1.6460
Voted County (Jail)	<u>1.4236</u>	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>	<u>2.0000</u>
TOTAL COUNTY	7.5389	7.5969	7.6411	7.6214	7.6995
Traverse Bay Area I/S/D	<u>2.9732</u>	<u>2.9929</u>	<u>3.0149</u>	<u>3.0302</u>	<u>3.0459</u>
TOTAL ALL JURISDICITON	10.5121	10.5898	10.6560	10.6516	10.7454

*Extra Voted.

The County's authorized operating tax rate is 5.29 mills.

Source: Benzie County

NOTE 2 - TABLES: (Continued)

D. Tax Collection Record:

County of Benzie pays from a 100% Tax Payment Fund delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins October 1. County taxes are due December 1 and become delinquent the following March 1.

<u>Year</u>	<u>Tax Levy</u>	<u>Amount*</u>	<u>%</u>	<u>%</u>
2004	\$ 25,534,307	\$ 23,596,461*	92.41%	-%
2003	22,530,566	20,849,584	92.54	-
2002	21,210,530	19,290,703	90.95	100
2001	20,683,870	18,832,814	91.05	100
2000	18,062,029	16,339,252	90.46	100
1999	16,950,575	15,190,124	89.85	100
1998	15,732,577	13,707,689	87.13	100
1997	15,213,212	13,236,943	87.00	100
1996	14,865,524	12,818,676	86.23	100
1995	13,086,002	11,379,240	86.95	100

*Reflects only real property delinquencies and assumes 100% collection of personal property taxes.

*Not available until after settlement on March 1st.

Source: Benzie County

E. General Fund Revenues and Expenditures:

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues & Transfers In	\$ 4,893,632	\$ 4,388,720	\$ 5,251,648	\$ 4,997,509
Expenditures & Transfers Out	<u>4,574,329</u>	<u>3,557,026</u>	<u>5,186,923</u>	<u>4,816,994</u>
Revenues Over Expenditures	319,303	831,694	64,725	180,515
Beginning Fund Balance	1,101,430	386,067	321,342	140,827
Residual Equity Transfer	-	(116,331)	-	-
ENDING FUND BALANCE	<u>\$ 1,420,733</u>	<u>\$ 1,101,430</u>	<u>\$ 386,067</u>	<u>\$ 321,342</u>

Source: Benzie County

NOTE 2 - TABLES: (Continued)

F. Debt Statement:

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	\$ <u>2,480,000</u>	\$ <u>2,480,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years.

Per Capita County Net Direct Debt	\$ 145.22
Percent County Net Direct Debt to TV	.31%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 19,585,778
Cities	705,000
Townships	-
Villages	1,364,000
Intermediate School Districts	<u>-</u>
Net Overlapping Debt	\$ <u>21,654,778</u>
Net County and Overlapping Debt	\$ <u>24,134,778</u>
Per Capita County Net Direct and Overlapping Debt	\$ 1,413.21
Percent Net Direct and Overlapping Debt to 2004 TV	3%

Source: County of Benzie and Municipal Advisory Council of Michigan

Note: Estimated population for 2004 17,078

Source: U.S. Census Bureau



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REPORT TO MANAGEMENT

Honorable Chairman and Members
of the Board of Commissioners
County of Benzie, Michigan
P.O. Box 398
Beulah, MI 49617

We have audited the basic financial statements of the County of Benzie, Michigan for the period ended September 30, 2004, and have issued our reports thereon dated January 21, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the County of Benzie, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Benzie, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Benzie, Michigan, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Benzie, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Benzie, Michigan's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Benzie, Michigan are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Benzie, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Asset lives and allowances for bad debts are examples of accounting estimates.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by County of Benzie, Michigan's that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Benzie, Michigan's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Benzie, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Comments and Recommendations

Improvements Regarding Use of Chart of Accounts – Prior Year

There were items in capital outlay accounts, which were relatively small in value. Typically, the capital outlay account is used for fixed asset purchases that are capitalized, items that are not, should be expensed to an account named small tools and equipment.

Friend of the Court – Prior Year

The Friend of the Court bank account was not reconciled at year end. During 2004, the State of Michigan assumed custodial responsibility for the child support monies; however, there are some monies remaining in the account. A reconciliation should be performed and the remaining monies remitted to the State of Michigan.

Allowance for Uncollectible Accounts – Ambulance Fund – Prior Year

Management should to review the allowance for uncollectible accounts due to the decrease in Medicare and Medicaid reimbursement percentages. It is recommended that the allowance be increased to reflect this.

Expenditures – Prior Year

We found equipment purchases in many different expenditure accounts (gas and oil account). It is recommended utilization of the account 980, equipment for all equipment purchases.

Cash

Our audit of cash revealed that the common cash bank reconciliation was not in agreement with the general ledger at year end. The difference stemmed from electronic transactions that were posted to the ledger but not included in the bank reconciliation.

Accounts Payable

The accounts payable as of on September 30, 2004 were miscoded to the cash account. This misplacement caused both the accounts payable and the cash accounts to be incorrect as of the year end. Greater care should be taken to ensure that the accounts payable entries are correctly coded to accounts payable account.

New Accounting System

There have been several changes in account numbers between the previous accounting system and the new system. During this transition, caution should be taken to ensure that specific items are coded to the correct new account number. There should also be a thorough examination performed to make certain that all accounting entries prepared for the fiscal year 2005 are posted to the correct new account numbers.

Conclusion

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Anderson Tackman & Company, PLC
Certified Public Accountants

January 21, 2005